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March 15, 2007

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D. C. 20423

218800

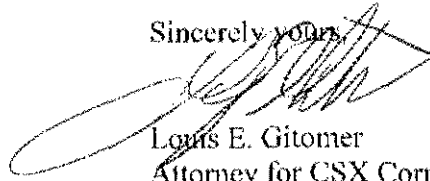
RE: Finance Docket No. 33388 (Sub-No 100), *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company—Control and Operating Leases/Agreements—Conrail Inc. and Consolidated Rail Corporation*

Dear Secretary Williams:

Enclosed is the Reply of CSX Corporation and CSX Transportation, Inc. to Reply of Bridgewater Resources, Inc. and ECDC Environmental, L.L.C. in the above-entitled proceeding. The Reply includes a color map as the last page. A copy of this pleading is being filed in PDF and Word format.

CSXT is e-filing the Reply. Thank you for your assistance. If you have any questions please call or email me.

Sincerely yours,



Louis E. Gitomer
Attorney for CSX Corporation and
CSX Transportation, Inc.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388 (Sub-No. 100)

CSX CORPORATION AND CSX TRANSPORTATION, INC.
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
— CONTROL AND OPERATING LEASES/AGREEMENTS —
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

REPLY OF CSX CORPORATION AND CSX TRANSPORTATION, INC. TO REPLY OF
BRIDGEWATER RESOURCES, INC. AND ECDC ENVIRONMENTAL, L.L.C.

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Attorneys for: CSX CORPORATION AND
CSX TRANSPORTATION, INC.

Dated: March 15, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388 (Sub-No. 100)

CSX CORPORATION AND CSX TRANSPORTATION, INC.
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REPLY OF CSX CORPORATION AND CSX TRANSPORTATION, INC. TO REPLY OF
BRIDGEWATER RESOURCES, INC. AND ECDC ENVIRONMENTAL, L.L.C.

CSX Corporation ("CSX Corp.") and CSX Transportation, Inc. ("CSXT" and, together with CSX Corp., "CSX") respond below to the Bridgewater Resources, Inc ("BRI") and ECDC Environmental L.L.C. ("ECDC" and, together with BRI, the "Petitioners") Reply To Comments on Petition for Clarification or in the Alternative for Supplemental Order—North Jersey Shared Assets Area filed with the Surface Transportation Board (the "Board") on February 6, 2007 (the "Reply"). In the Reply, Petitioners have abandoned the argument that they have pursued since the onset of this proceeding and adopted an argument based on a railroad line that no longer exists. CSX urges the Board to deny the relief sought by Petitioners.

BACKGROUND

Petitioners filed a Petition for Clarification or in the Alternative for Supplemental Order—North Jersey Shared Asset Area (the "Petition") with the Board on January 20, 2006. Petitioners sought an order from the Board either: (1) clarifying that their waste transfer facility located near Port Reading Jct. in Bridgewater Township, Somerset, NJ (the "BRI Facility") is located within

the North Jersey Shared Asset Area (the "NJSAA")¹ because the BRI facility is within the area encompassed by the CP-Port Reading Connector, Milepost 35.92, and therefore is entitled to service from Consolidated Rail Corporation ("CRC"), a subsidiary of Conrail, Inc. ("CR" and with CRC Collectively "Conrail"), in addition to rail service from Norfolk Southern Railway Company ("NSR"), a subsidiary of Norfolk Southern Corporation ("NSC" and with NSR, collectively "NS"); or (2) supplementing the *Conrail Decision* to permit CRC to provide switching service between the BRI Facility and Manville Yard, which is served by CSXT. Petitioners also sought discovery.

On February 9, 2006, NS filed a Motion to Dismiss the Petition and a Motion for Protective Order to quash the discovery sought by Petitioners (collectively, the "NS Motion"). Based upon the NS Motion, a motion by Conrail, and responses, the Board stated: "NS has presented strong evidence, based on the transaction agreement, to support its claim that the BRI facility is located outside the NJSAA. Nevertheless, it is appropriate for the Board to allow for limited discovery for BRI to obtain evidence to further develop the record as to what the parties intended in their original transaction agreement before resolving the issues that are presented here."²

After discovery, numerous pleadings, and failed settlement negotiations between NS and Petitioners, the Reply was filed conceding that Petitioners initial argument was wrong that BRI's

¹ The creation of the NJSAA was approved by the Board in *CSX Corp. et al.-Control-Conrail Inc. et al.*, 3 S.T.B. 196 (1998) (the "*Conrail Decision*"). The NJSAA was created based upon a Transaction Agreement dated June 10, 1997 between CSX, NS and Conrail (the "Transaction Agreement").

² *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company-Control and Operating Leases/Agreements-Conrail, Inc. and Consolidated Rail Corporation*, STB Finance Docket No. 33388 (Sub-No. 100) (STB served July 31, 2006) at 4 (the "*July Decision*").

facility is within the NJSAA because of the definition of CP-Port Reading Connector, Milepost 35.92. Instead of conceding that they had failed to meet the burden developed by the Board in the *July Decision*, Petitioners turned to a new theory based upon the location a former railroad line that had been sold by CRC prior to the date of the Transaction Agreement and the *Conrail Decision*.

The Reading Connector extended between the Trenton Line (allocated to CSXT) and the Raritan Valley Line (allocated to NSR) at a location known as Bound Brook Junction, approximately Milepost 31.9, by crossing the Lehigh Line (allocated to NSR) via a diamond and extended to a switch connection with the Raritan Valley Line. See the map in Exhibit A. The diamond previously used by traffic from the Trenton Line to cross the Lehigh Line was removed prior to the date of the Transaction Agreement. The switch connecting the Reading Connector and the Raritan Valley Line was removed prior to the date of the Transaction Agreement. The track and materials of the Reading Connector was removed prior to the date of the Transaction Agreement. The real estate underlying the Reading Connector was sold by CRC to Mr. Joseph Horner prior to the date of the Transaction Agreement.

The apparent genesis of Petitioners argument was the filing of a Notice of Exemption (the "Notice") to acquire and operate the defunct Reading Connector.³ In pleadings concerning the Notice, it was claimed that the Reading Connector had not been abandoned and was therefore a line of railroad. Petitioners now argue that: (1) the Reading Connector adjoins the BRI Facility and therefore entitles the BRI Facility to service from CRC; (2) that in the Transaction Agreement the Reading Connector would have been allocated to CRC as part of the NJSAA; and

(3) that since CRC cannot provide service to the BRI Facility over the Reading Connector, pursuant to section 3(c)(ii) of the NJSAA Operating Agreement CRC must be permitted to serve the BRI Facility over the NSR Lehigh Line.

ARGUMENT

CSX urges the Board to deny Petitioners the relief sought under the Petition and the Reply.

1. Petitioners' concession requires denial of the Petition. Pursuant to the *July Decision*, Petitioners were permitted to conduct limited discovery in an effort to prove that the BRI Facility is within the NJSAA. In the Reply, Petitioners concede that their interpretation of the scope of the NJSAA was wrong (Reply at 3). Once Petitioners made that concession, CSX contends that this proceeding was completed and that Petitioners had failed to meet their burden as to the scope of the NJSAA established by the Board in the *July Decision*.

CSX contends that since Petitioners concede their thesis is wrong, as they have done, under the *July Decision*, the Board must act as it did in denying Petitioners request for a supplemental order, and must deny Petitioners' request to clarify that the BRI Facility is located within the NJSAA and therefore is entitled to service from CRC in addition to rail service from NSR.

2. A defunct railroad line does not provide the basis for service to the BRI Facility by Conrail. The BRI Facility is served from the Royce Spur. The Royce Spur is accessed from the Royce Running Track that was allocated to NSR under the Transaction Agreement. The BRI Facility is not served from the Raritan Valley Line and it is not served by the non-existent

³ *James Riffin d/b/a The Raritan Valley Connecting Railroad—Acquisition and Operation Exemption—on Raritan Valley Connecting Track*, STB Finance Docket No. 34963 (STB served

Reading Connector.

The Reading Connector does not exist today. There is no track. Petitioners have cited no precedent or transactional basis for their argument that a right-of-way where railroad track once existed creates a right to rail service over another rail line.

The Reading Connector does not adjoin the BRI Facility. The right-of-way of the Reading Connector is part of the property comprising the BRI Facility, but there is no railroad track there that connects to the national rail system to provide service. Hence, the BRI Facility is not entitled to any rail service over the Reading Connector, be it from NSR or CRC.

In the Transaction Agreement, the Raritan Valley Line north of the BRI Facility was allocated to NSR, not CRC. See Transaction Agreement, Attachment 1, page 4, item 182 and page 8, item Raritan Valley Line. Contrary to Petitioners' position, as shown in the maps accompanying the Transaction Agreement, Bound Brook meant Bound Brook Station, at about milepost 30.0, about two miles east of the BRI Facility, and not Bound Brook Junction, at about milepost 32.0, just north of the BRI Facility. Bound Brook Junction would have been an illogical cut point since it is merely a track and provides no place for interchange, while Bound Brook Station is a logical cut point because it is located at Bound Brook Yard, which allows for interchange movements. The Reading Connector, if it had existed and the switch connection had not been removed, would have connected to NS on the Raritan Valley Line. It also would have connected to the CRC line exiting the Manville Yard on the Trenton Line, if the Reading connector existed and the diamond connection to the Trenton Line existed. As such, the Reading

December 20, 2006).

Connector would have been allocated to NSR under the Transaction Agreement.⁴

CRC cannot serve the BRI Facility over the Reading Connector because the Reading Connector no longer has rail infrastructure. Moreover, section 3(c)(ii) of the NJSAA Operating Agreement Conrail does not permit CRC to serve the BRI Facility over the NSR Lehigh Line.

Section 3(c)(ii) states:

NSR hereby grants CRC and CSXT overhead operating rights to operate CRC and CSXT trains, with their own crews, over such NSR line segments access to and use of which by CRC and CSXT are necessary to effectuate the train operations and services contemplated by this Agreement.

The NJSAA contemplated no service over the Reading Connector because the Reading Connector did not exist. Therefore, section 3(c)(ii) does not authorize service over another NSR line (in this case the Lehigh Line) by CRC as a substitute for a line where service was not contemplated because it did not exist.

The Reading Connector does not exist today, and did not exist at the time CSX, NS and Conrail entered the Transaction Agreement. The former Reading Connector does not provide an alternate basis for the BRI Facility to receive service from CRC over NSR's Lehigh Line.

⁴ Property that was not specifically allocated to NSR, CSXT, or CRC by the Transaction Agreement is to be allocated either by agreement between the parties at a later date (Attachment 1, page 1) or if there is a dispute between the parties pursuant to arbitration (section 11.12 of the Transaction Agreement). CSX does not believe there is a dispute between the parties as to the allocation of real estate that CRC did not own on the date of the Transaction Agreement. Even so, under the terms of the Transaction Agreement, it is inappropriate for Petitioners, or any other party, to allocate any of Conrail's property.

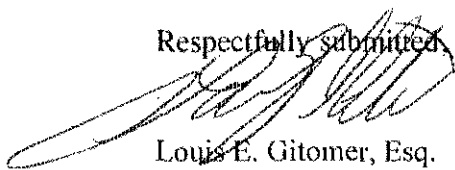
CONCLUSION

CSX respectfully submits that the Board deny the relief sought in the Petition and the

Reply in all respects.

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Respectfully submitted,



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Dated: March 15, 2007

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the Reply of CSX Corporation and CSX Transportation, Inc. to Reply of Bridgewater Resources, Inc. and ECDC Environmental, L.L.C. in Finance Docket No. 33388 (Sub-No. 100) was mailed via first class mail, postage prepaid or served electronically by agreement of the parties, on March 15, 2007, to the following parties:

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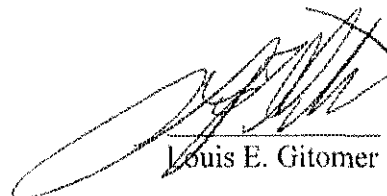
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EXHIBIT A--MAP

